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SUBJECT: Jordan's Trade Deficit Has Decreased 35 Percent in 2009
Thanks to Decline in Oil Prices

Refs: A) Amman 694
B) Amman 672
C) Amman 2683

¶1. (U) Summary: After hitting a historic high in 2008, Jordan's trade deficit narrowed by 35 percent to \$2.048 billion between January and April 2009, compared to \$3.15 billion during the same period in 2008. This is largely due to a significant drop in the price of fuel, which led to a 60.6% decline in the value (not volume) of Jordan's crude oil imports to \$379 million. Iraq was the largest recipient of Jordan's exports during this period, followed by the U.S. which imports the bulk share of Jordan's top export of apparel. After running a trade deficit with Jordan since 2002, the U.S. has registered a positive trade balance in 2009 thanks largely to a 15.8% increase in Jordan's imports of American products. End Summary.

Trade Deficit Narrows

¶2. According to the Jordanian government's Department of Statistics (DOS), Jordan's trade deficit steadily grew from \$2.3 billion in 2002 to \$8 billion in 2008 (ref B). During the first four months of 2009, however, Jordan saw its trade deficit narrow by 35% to \$2.014 billion, compared to \$3.15 billion during the same period in 2008. This was largely due to a 21.4% decrease in the value of imports which amounted to \$4.264 billion, as opposed to \$5.424 billion during the same period in 2008. The value of total Jordanian exports also decreased slightly by 2.5% to \$2.22 billion, including \$1.69 billion in national exports and \$529 million in re-exports.

Decline in Value of Imports Due to Lower Fuel Prices

¶3. The decline in Jordanian imports reflects a sharp decrease in the price (rather than volume) of Jordan's main import of crude oil, primarily from Saudi Arabia. During the first four months of 2009, the value of Jordan's crude oil imports fell 60.6% to \$379 million, compared to \$963 million in the same period of 2008, \$562 million in 2007, and \$697 million in 2006. DOS figures also showed a 54.6%

drop in the Kingdom's imports of gasoline to \$58.6 million compared to \$129.2 million during the same period last year, as well as a 51.4% decline in diesel oil imports to \$19.4 million from \$39.8 million last year. Jordan further recorded decreases in the value of imported machinery, iron and its products, and plastics. Meanwhile, the value of the Kingdom's imports of vehicles rose slightly from \$397.5 million during the first third of 2008 to \$406.9 million during the same period in 2009. The value of Jordan's natural gas imports also jumped 26% to \$125.7 million by the end of April 2009, compared to \$99.6 million last year.

Exports Suffering from Drop in Apparel Demand

¶4. National exports were hit by decreases in prices of manufactured goods, as well as volume. Due to decreased consumer demand in the U.S., apparel exports continued to decline 17.7% to \$257 million during the first four months of 2009, but they still topped the export list by accounting for 15.2% of national exports value. Vegetable exports followed at \$192 million, or 11.4% of national exports. In third place were raw phosphates at a value of \$170 million, or 10.1% of overall exports, while fertilizers came fourth at \$139 million, followed by potash exports of \$137 million (ref C).

NOTE: When added together, Jordan's exports of fertilizer and its ingredients phosphates and potash surpass apparel as Jordan's top export. END NOTE.

¶5. Exports of Jordan's pharmaceutical products, which have often been regarded as a rising star, decreased 20.6% during this period to \$137 million, compared to \$173 million during the same timeframe in 2008. Although the pharmaceutical industry planned to push

exports to the \$1.4 billion mark by 2011, drug manufacturers now view the plan as ambitious in light of the global economic recession and have expressed pessimism over the volume of drug exports in 2009 based on difficult regional market conditions particularly in Saudi Arabia, Algeria, and central Asian countries (ref A). To offset the downturn, domestic drug companies are now trying to diversify products, open new markets regionally and globally, and upgrade standards to meet requirements in the U.S. and European markets.

U.S. Now Has Positive Trade Balance with Jordan

¶6. During the first four months of 2009, Iraq was Jordan's top export market, accounting for \$334 million or 19.8% of Jordan's national exports. The United States followed by receiving \$269 million or 15.9% of Jordan's national exports, with apparel still representing the bulk share of exports to the U.S. On the other side of the trade ledger, DOS reported that Jordanian imports of U.S. goods increased 15.8% to \$287 million during this period, which resulted in the U.S. registering a positive trade balance with Jordan after seven years of running a trade deficit. Other top markets for Jordan included India, which received \$215 million or 12.7% of Jordan's exports, and Saudi Arabia which accounted for \$148 million or 8.8% of Jordan's exports, particularly pharmaceuticals.

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